

Information regarding manufacturing or assembling of tangible personal property for wholesale or retail sale or lease may be found at 86 Ill. Adm. Code 130.330. (This is a GIL.)

March 31, 2006

Dear Xxxxx:

This letter is in response to your letter dated November 4, 2005, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are requesting a private letter ruling from your department on some items in question. We would appreciate a confirmation of this letter being received and reviewed.

We are manufacturers of fabric swatch and tag samplings in the state of Illinois. We have recently contacted the sales tax department by phone for information on the Illinois Sales tax. During our phone conversation with the department, we were told that any products used in the manufacturing process would be sales tax exempt but individual items had to be considered separately. Because of the unclear answers we were obtaining, we would like to get a ruling in writing as to whether we are required to pay sales tax on several items.

A description of the item and how it is used in our manufacturing process is as follows:

1. Machinery and equipment parts used in the manufacturing process.
  - a. Are all parts (including replacement parts) that become apart [sic] of the machine tax exempt? For example, we have a machine that glues swatch samples onto cards, the hot glue heads that are part of the machine, must be replaced with normal wear and tear.
  - b. Do consumable machine parts/supplies qualify as well? Consumable parts may include nuts, bolts, screws and relays. Consumable supplies may

include filters, lubricant, and oil that the machine requires in order to function.

2. Consumables in the production process: Are items that are necessary for the production process but do not become apart [sic] of the finish [sic] product, tax exempt? Some items are disposed of after used, others (at the customers discretion) are kept in our warehouse or shipped to customers. Some examples are:
  - a. Separation paper - the paper is layered between fabrics in order for the machine to make a clean straight cut through certain materials. The paper is necessary for the process but after the fabric is cut into appropriate size, the paper is disposed of.
  - b. Dies and molding products- Moulds are made from raw material to accommodate each custom job. The mould is used to position the swatch samples to be glued onto the card. After the job is complete, the mould is either kept in our warehouse for future use or shipped to the customer with the goods (the ownership of the mould is passed onto the customer). Would this be considered a sale for resale and would the items purchased to make the mould be tax exempt?
3. We understand that under the Retailers' Occupation Tax, pallets used to ship our goods are considered a sale for resale and is taxed [sic] exempt. Does this rule apply to all shipping supplies including the boxes/cartons, stretch wrap, tape, staples, and all other necessary items to secure the goods for shipping to customer?

Please let us know if these items described above are tax exempt. If you require further information, please do not hesitate to contact me or my assistant.

## **DEPARTMENT'S RESPONSE:**

For information regarding replacement parts for manufacturing machinery and equipment used in a qualifying manner, including materials consumed in the process of manufacturing or assembling of tangible personal property for wholesale or retail sale or lease, please refer to the Department's regulation found at 86 Ill. Adm. Code 130.330.

Information concerning shipping supplies such as boxes, cartons and stretch wrap may be found at 86 Ill. Adm. Code 130.2070. In addition, you may find helpful information by reviewing the Department's "Letter Rulings," such as ST05-0023-GIL and ST03-0151-GIL, which may be found on the Department's internet website under the heading of "Laws/Regs/Rulings."

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel